

Montezuma Rimrock Fire District



December 22, 2014

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, Az 85007-3248

Enclosed are the 2014 Ambulance Revenue and Cost Report Fire District and Small Rural Company report along with a copy of MRFD 2014 Audit Report.

If you have any questions, you may reach me at 928-567-7428.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'Cindilee Davis'.

Cindilee Davis
Administrative Account Assistant

Cld

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Montezuma Rimrock Fire District
3240 E. Beaver Creek Rd.
Rimrock, AZ 86335

Phone: 928-567-7428
Fax: 928-567-4743
email: info@mrfd-fire.org

AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

Montezuma Rimrock Fire District
Reporting Ambulance Service

Address: _____ 3240 E Beaver Creed Road

City: _____ Rimrock Zip: _____ 86335

Report Fiscal Year

From: _____ July 1, 2013 To: _____ June 30, 2014
Mo. Day Year Mo. Day Year

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature: _____  Date: _____ 12-23-14

Print Name and Title: _____ Terry Keller, Fire Chief

Phone: _____ 928-567-7428

Mail to:

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
Telephone: (602) 364-3150
Fax: (602) 364-3567

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Montezuma Rimrock Fire District

FOR THE PERIOD

FROM:

July 1, 2013

TO:

June 30, 2014

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:			335	335
2	Number of BLS Billable Transports:			92	92
3	Number of Loaded Billable Miles:			8,515	8,515
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue			\$ 462,109
7	BLS Base Rate Revenue			126,791
8	Mileage Charge Revenue			94,473
9	Waiting Charge Revenue			
10	Medical Supplies Charge Revenue			
11	Nurses Charge Revenue			
12	Standby Charge Revenue (Attach Schedule)			
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE		(Post to Page 3, Line 1)	\$ 683,373

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SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

**** No. of FTE's**

14	Management		\$ 59,385	1.0
15	Paramedics and IEMTs		\$ 174,879	3.0
16	Emergency Medical Technician (EMT)		\$ 264,874	5.0
17	Other Personnel		\$ 61,093	2.0
18	Payroll Taxes and Fringe Benefits - All Personnel		\$ 204,287	11
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)		\$ 764,518	11

* This column reports only those runs where a contracted discount rate was applied.

** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Montezuma Rimrock Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ 683,373
<u>Settlement Amounts:</u>			
2	AHCCCS		42,119
3	Medicare		214,436
4	Subscription Service		
5	Contractual		
6	Other		85,801
7	Total	(Sum of Lines 2 through 6)	342,356
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ 341,017
Operating Expenses:			
9	Bad Debt		\$ 35,966
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	764,518
11	Professional Services		44,402
12	Travel and Entertainment		119
13	Other General Administrative		5,911
14	Depreciation		99,201
15	Rent / Leasing		5,987
16	Building / Station		19,545
17	Vehicle Expense		36,611
18	Other Operating Expense		44,508
19	Cost of Medical Supplies Charged to Patients		
20	Interest		11,853
21	Subscription Service Sales Expense		
22	Total Operating Expense	(Sum of Lines 9 through 21)	1,068,622
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ (727,605)
24	Subscription Contract Sales		
25	Other Operating Revenue		
26	Local Supportive Funding		727,605
27	Other Non-Operating Income (Attach Schedule)		
28	Other Non-Operating Expense (Attach Schedule)		
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ -
Provision for Income Taxes:			
30	Federal Income Tax		
31	State Income Tax		
32	Total Income Tax	(Line 30, plus Line 31)	
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	-

AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Montezuma Rimrock Fire District

FOR THE PERIOD FROM: _____ TO: _____

BALANCE SHEET

Current audited financial statements may be submitted in lieu of this page.

ATTACHED

ASSETS

CURRENT ASSETS

01	Cash	\$ _____
02	Accounts Receivable	_____
03	Less: Allowance for Doubtful Accounts	_____
04	Inventory	_____
05	Prepaid Expenses	_____
06	Other Current Assets	_____
07	TOTAL CURRENT ASSETS	\$ _____
PROPERTY & EQUIPMENT		
08	Less: Accumulated Depreciation	\$ _____
09	OTHER NONCURRENT ASSETS	\$ _____
10	TOTAL ASSETS	\$ _____

LIABILITIES AND EQUITY

CURRENT LIABILITIES

11	Accounts Payable	\$ _____
12	Current Portion of Notes Payable	_____
13	Current Portion of Long-Term Debt	_____
14	Deferred Subscription Income	_____
15	Accrued Expenses and Other	_____
16	_____	_____
17	_____	_____
18	TOTAL CURRENT LIABILITIES	\$ _____
19	NOTES PAYABLE	_____
20	LONG-TERM DEBT OTHER	_____
21	TOTAL LONG-TERM DEBT	\$ _____

EQUITY AND OTHER CREDITS

Paid-in Capital:

22	Common Stock	\$ _____
23	Paid-In Capital in Excess of Par Value	_____
24	Contributed Capital	_____
25	Retained Earnings	_____
26	Fund Balances	_____
27	TOTAL EQUITY	\$ _____
28	TOTAL LIABILITIES & EQUITY	\$ _____

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Montezuma Rimrock Fire District

FOR THE PERIOD FROM: _____ TO: _____

STATEMENT OF CASH FLOWS

Current audited financial statements may be submitted in lieu of this page.

ATTACHED

OPERATING ACTIVITIES:

01	Net (loss) Income	\$ _____
	Adjustments to reconcile net income to net cash provided by operating activities:	
02	Depreciation Expense	_____
03	Deferred Income Tax	_____
04	Loss (gain) on Disposal of Property Equipment	_____
	(Increase) Decrease in:	
05	Accounts Receivable	_____
06	Inventories	_____
07	Prepaid Expenses	_____
	(Increase) Decrease in:	
08	Accounts Payable	_____
09	Accrued Expenses	_____
10	Deferred Subscription Income	_____
11	Net Cash Provided (Used) by Operating Activities	\$ _____

INVESTING ACTIVITIES:

12	Purchases of Property and Equipment	_____
13	Proceeds from Disposal of Property and Equipment	_____
14	Purchases of Investments	_____
15	Proceeds from Disposal of Investments	_____
16	Loans Made	_____
17	Collections on Loans	_____
18	Other _____	_____
19	Net Cash Provided (Used) by Investing Activities	\$ _____

FINANCING ACTIVITIES:

	New Borrowings:	
20	Long-Term	_____
21	Short-Term	_____
	Debt Reduction:	
22	Long-Term	_____
23	Short-Term	_____
24	Capital Contributions	_____
25	Dividends paid	_____
26	Net Cash Provided (Used) by Financing Activities	\$ _____
27	Net Increase (Decrease) in Cash	\$ _____
28	Cash at Beginning of Year	\$ _____
29	Cash at End of Year	\$ _____

SUPPLEMENTAL DISCLOSURES:

	Non-cash Investing and Financing Transactions:	
31	_____	\$ _____
32	_____	_____
33	Interest Paid (Net of Amounts Capitalized)	_____
34	Income Taxes Paid	_____

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**MONTEZUMA RIMROCK FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014**

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Montezuma Rimrock Fire District
Rimrock, AZ

We have audited the accompanying financial statements of the governmental activities, of the Montezuma Rimrock Fire District of Rimrock, AZ, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montezuma Rimrock Fire District of Rimrock, AZ, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-11 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brian Richards, CPA

Snowflake, AZ
October 15, 2014

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MONTEZUMA RIMROCK FIRE DISTRICT
JUNE 30, 2014
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Montezuma Rimrock Fire District, we offer a narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2014. This discussion and analysis is designed to assist the reader in focusing in the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The net position of Montezuma Rimrock Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,056,399 (*net position*). Of this amount, \$323,619 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$148,331. Largely as a result of the District's depreciation expense exceeding capital asset acquisitions (\$104,758).
- The District's total long-term debt increased by \$18,691, due to the purchase of a Brush truck for \$47,857, increases in compensated absences of \$6,883, minus principal payments on existing leases of \$36,049.
- At the end of the current fiscal year, unrestricted net position was \$323,619, or 21% of operating expenses (\$1,520,344).
- The District continues to focus on maintaining its current staffing levels, and providing training to maintain skill sets within the operational staff. Additionally, the District employed creative measures to maintain its vehicular fleet which enables the operational staff to meet the calls for service. Finally, the District is revising its strategic plans to maintain its current facilities to provide for the needs of staff and to ensure the District can effectively complete its mission.
- As a result in the reduction of the number of employees, the costs of personnel and benefits have decreased appropriately.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The Statement of Net Position presents information on all of the District's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net position, which indicates an improved financial position.

The Governmental Balance Sheet presents information showing how a government's net position changed during the fiscal year. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully budgeted resources to cover all its costs without a large excess.

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MONTEZUMA RIMROCK FIRE DISTRICT
JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

The District has elected to report the budgetary comparison information in the basic financial statements. The schedule provides more detail data on the District's operations and compares actual amounts with budgeted amounts. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These statements report the net position of the District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as one measure of financial health or financial position. However, one will need to consider other non-financial factors such as changed economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Net position.

Montezuma Rimrock Fire District
Net Position
June 30, 2014

	Governmental	
	Activities	
	2014	2013
Current and other assets	\$ 413,340	\$ 444,248
Capital assets - net	1,141,219	1,253,344
Total assets	1,554,559	1,697,592
Long-term liabilities	475,746	370,942
Other liabilities	22,414	121,920
Total liabilities	498,160	492,862
Invested in capital assets		
net of related debt	732,780	856,713
Unrestricted	323,619	348,017
Total net position	\$ 1,056,399	\$ 1,204,730

By far, the largest portion of the District's net position reflect its investment in capital assets (e.g. vehicles, equipment, buildings, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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MONTEZUMA RIMROCK FIRE DISTRICT
JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

As noted in the following table, the operating expenses and operating and non-operating revenues decreased this year based on numerous factors. Overall operating expense decreased as the result of not filling vacated positions, and as a result of efficient and frugal measures to preserve cash. The significant decrease in operating revenues is primarily the result of the economic decline in assessed property values resulting in a decrease in ad valorem taxes and Fire District Assistance Tax (FDAT).

Montezuma Rimrock Fire District
Changes in Net Position
June 30, 2014

	Governmental	
	Activities	
	2014	2013
Operating revenues	\$ 1,449,489	\$ 1,463,708
Operating expenses	1,603,303	1,609,791
Income from operations	(153,814)	(146,083)
Net non-operating revenues		
Investment earnings	963	526
Miscellaneous	4,520	5,011
Net non-operating revenue	5,483	5,537
Changes in net position	(148,331)	(140,546)
Net position, beginning of year	1,204,730	1,345,276
Net position, end of year	\$ 1,056,399	\$ 1,204,730

The District has adequate unrestricted net position available to fund operations when the expenditures exceed the revenues, which occurred in FYE June 30, 2014. The District tries to stabilize the tax rate by utilizing monies collected in prior years and obtaining grants for equipment and miscellaneous projects.

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**MONTEZUMA RIMROCK FIRE DISTRICT
JUNE 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

Capital Assets and Debt Administration

The District's investment in capital assets is \$2,561,100 less accumulated depreciation of \$1,419,881, as of June 30, 2014, which is a net decrease of \$112,125, net of accumulated depreciation, over the prior year, which includes \$17,480 that was removed from the capital asset list, since the District no longer had these items and they were no longer in inventory. Capital assets include emergency vehicles, buildings, improvements, equipment, and furniture.

**Montezuma Rimrock Fire District
Capital Assets
June 30, 2014**

	Governmental Activities	
	2014	2013
Land, not depreciated	\$ 468,961	\$ 468,961
Buildings	738,000	738,000
Fire Equipment	322,013	322,013
Vehicles	1,032,126	1,001,748
Total capital assets	\$ 2,561,100	\$ 2,530,722
Less accumulated depreciation	(1,419,881)	(1,277,378)
Total capital assets, net	\$ 1,141,219	\$ 1,253,344

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire Chief, Montezuma Rimrock Fire District, 3240 E. Beaver Creek Rd., Rimrock, AZ 86335.

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BASIC FINANCIAL STATEMENTS

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Montezuma Rimrock Fire District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 273,836
Accounts receivable, (net of allowance for uncollectable)	88,744
Taxes receivable	50,760
Capital assets:	
Non-depreciable	468,961
Depreciable (net)	672,258
Total Assets	<u>1,554,559</u>
Liabilities	
Accounts payable	7,044
Accrued payroll and related liabilities	15,370
Non-current liabilities:	
Due within one year:	
Compensated absences	16,826
Capital leases	35,670
Due in more than one year:	
Compensated absences	50,481
Capital leases	372,769
Total Liabilities	<u>498,160</u>
Net Position	
Net investment in capital assets	732,780
Unrestricted	323,619
Total Net Position	<u>\$ 1,056,399</u>

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Montezuma Rimrock Fire District
Statement of Activities
June 30, 2014

	<u>Governmental Activities</u>
Expenses	
Public safety, fire protection:	
Emergency services	\$ 1,271,131
Administrative and support services	179,556
Depreciation	<u>152,616</u>
Total program expenses	<u>1,603,303</u>
Program Revenues	
Charges for services	<u>279,962</u>
Total program revenues	<u>279,962</u>
Net program expenses	<u>1,323,341</u>
General Revenues	
Property taxes	1,020,753
Centrally assessed taxes	153,294
Investment earnings	<u>963</u>
Total general revenues	<u>1,175,010</u>
Change in net position	(148,331)
Net position - beginning	<u>1,204,730</u>
Net position - ending	<u><u>\$ 1,056,399</u></u>

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Montezuma Rimrock Fire District

Balance Sheet Governmental Funds June 30, 2014

	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 223,434	\$ 50,402	\$ 273,836
Accounts receivable, net	88,744	-	88,744
Taxes receivable	50,760	-	50,760
Total assets	<u>\$ 362,938</u>	<u>\$ 50,402</u>	<u>413,340</u>
<u>Liabilities</u>			
Accounts payable	7,044	-	7,044
Accrued payroll and related liabilities	15,370	-	15,370
Total liabilities	<u>22,414</u>	<u>-</u>	<u>22,414</u>
<u>Deferred Inflow of Resources</u>			
Unavailable revenue - property taxes	7,203	-	7,203
Unavailable revenue - ambulance service	16,675	-	16,675
Total deferred inflow of resources	<u>23,878</u>	<u>-</u>	<u>23,878</u>
<u>Fund Balances</u>			
Nonspendable	\$ -	\$ -	\$ -
Committed	-	50,402	50,402
Assigned	-	-	-
Unassigned:	316,646	-	316,646
Total fund balances	<u>316,646</u>	<u>50,402</u>	<u>367,048</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 362,938</u>	<u>\$ 50,402</u>	<u>\$ 413,340</u>

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total fund balances above	367,048
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,141,219
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	23,878
Long term liabilities, are not due and payable in the current period, and, therefore, are not reported in the funds.	(475,746)
Net assets of governmental activities	<u>\$ 1,056,399</u>

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Montezuma Rimrock Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Property taxes	\$ 1,008,482	\$ -	\$ 1,008,482
Fire district assistance taxes	153,294	-	153,294
Charges for services	275,442	-	275,442
Interest income	801	162	963
Other revenue	4,520	-	4,520
Total revenues	<u>1,442,539</u>	<u>162</u>	<u>1,442,701</u>
<u>Expenditures</u>			
Current:			
Public safety, fire protection:			
Emergency services	1,286,419	-	1,286,419
Administrative and support services	179,556	-	179,556
Debt service:			
Principal	36,049	-	36,049
Interest	18,320	-	18,320
Capital outlay	47,858	-	47,858
Total expenditures	<u>1,568,202</u>	<u>-</u>	<u>1,568,202</u>
Excess of revenues over expenditures	<u>(125,663)</u>	<u>162</u>	<u>(125,501)</u>
<u>Other financing sources (uses)</u>			
(Loss) on sale of assets	(7,367)	-	(7,367)
Proceeds from lease purchase	47,858	-	47,858
Transfers in	-	10,000	10,000
Transfers (out)	(10,000)	-	(10,000)
Total other financing sources (uses)	<u>30,491</u>	<u>10,000</u>	<u>40,491</u>
Net change in fund balances	(95,172)	10,162	(85,010)
Fund balance - beginning	<u>411,818</u>	<u>40,240</u>	<u>452,058</u>
Fund balance - ending	<u>\$ 316,646</u>	<u>\$ 50,402</u>	<u>\$ 367,048</u>

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Montezuma Rimrock Fire District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$	(85,010)
--	----	----------

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Expenditures for capital assets	\$	47,858	
Less current year depreciation		<u>(152,616)</u>	
	\$	(104,758)	(104,758)

The issuance of long term debt provides current financial
resources to governmental funds, while the repayment of the
principal of long term debt consumes the current financial
resources of governmental funds. Neither transaction, however
has any effect on net position. This amount is the net effect
of these differences in the treatment of long-term debt and
related items.

36,049

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in the governmental funds.

12,271

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences		<u>(6,883)</u>
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Change in net position of governmental activities	\$	<u><u>(148,331)</u></u>
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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Montezuma Rimrock Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

A. Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component units are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment (e.g. special assessments). Taxes and other revenues not included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to actual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Project Fund* is used to account for funds received and expended for the construction of buildings and improvements as well as the acquisition of apparatus and major equipment for use by the District.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

E. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding, if any, at the end of the fiscal year are referred to as "advances to/from other funds".

All program service receivables are shown net of an allowance for uncollectable. The amount of the estimated uncollectable program service receivables at June 30, 2014, was \$41,240, which represents 32% of the current program service receivables balance.

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Receivables and payables – continued

The District levies real property taxes on or before the third Monday in August, such levies, collected by Yavapai County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectible on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. The District has no prepaid items.

G. Restricted assets

The District has no restricted assets.

H. Capital assets

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life in excess of one year.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	30
Equipment	\$5,000	3-20
Vehicles	\$5,000	5
Fire Trucks, Office Equipment	\$5,000	5-10

I. Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that arises only under modified accrual basis of accounting, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet.

J. Compensated absences

The District accrues unused portions of "personal time off" (PTO) in the period the fund liability is incurred. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

K. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets and balance sheet.

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund equity

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Non-spendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) eternally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District's General Fund that includes amounts not contained in other classifications.

M. Intergovernmental grants and aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

N. Use of estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

O. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of its tax levy outstanding and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

A. District's Cash and Cash Equivalents Deposits

As of June 30, 2014 the carrying amount of the District's unrestricted bank deposits was \$273,767. Of this amount \$259,507, was on deposit with, and held by Yavapai County Treasurer. Yavapai County Treasurer invest these funds in the State Treasurer's Investment Pool 7, US Treasury securities, US agency securities, Repurchase agreements, and US corporate bonds. According to the Yavapai County Treasurer's department, the State Treasurer's Investment Pool 7 and the Repurchase agreements are Unrated, the US agency securities and US Treasury securities are rated A1 and above. Plan investments are reported at fair value.

Amounts classified as cash and investments at June 30, 2014 are described below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Bank Deposits	\$ -	\$ -	\$ 14,260	\$ 23,971
Funds held by Yavapai County Treasurer	259,507	259,507	259,507	268,521
Cash on hand	-	-	69	-
Totals	<u>\$ 259,507</u>	<u>\$ 259,507</u>	<u>\$ 273,836</u>	<u>\$ 292,492</u>

Custodial Credit Risk – Deposits – In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2014, the District's carrying amount of demand deposits was \$14,260 and the bank balance was \$23,971. The Federal Deposit Insurance Corporation protects these amounts against loss. The District maintained \$69 in cash on hand.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2014 for the District's general fund, including the applicable allowances for uncollectable accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>
Taxes	\$ 50,760
Program services	129,984
Gross receivables	180,744
Less: allowance for uncollectable	(41,240)
Net total receivables	<u>\$ 139,504</u>

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 4 – UNAVAILABLE REVENUE

Governmental funds report unavailable revenues in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2014 unavailable revenue consisted of the following:

General fund unavailable ambulance revenues	\$ 16,675
General fund unavailable property taxes	<u>7,203</u>
Total unavailable revenues	<u>\$ 23,878</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Land, not depreciated	\$ 468,961	\$ -	\$ -	\$ 468,961
Buildings	738,000	-	-	738,000
Fire Equipment	322,013	-	-	322,013
Vehicles	1,001,748	47,858	(17,480)	1,032,126
Total capital assets	2,530,722	47,858	(17,480)	2,561,100
Less accumulated depreciation	(1,277,378)	(152,616)	10,113	(1,419,881)
Total capital assets, net	<u>\$ 1,253,344</u>	<u>\$ (104,758)</u>	<u>\$ (7,367)</u>	<u>\$ 1,141,219</u>

Depreciation expense for the period was \$152,616. Depreciation expense was charged to public safety-fire protection function.

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 60,424	\$ 6,883	\$ -	\$ 67,307	\$ 16,826
Lease Purchase - Fire Station	191,450	-	(9,210)	182,240	9,665
Lease Purchase - Pierce Engine	205,181	-	(16,436)	188,745	17,231
Lease Purchase - Brush Truck	-	47,858	(10,403)	37,454	8,774
Total Lease Purchases	396,631	47,858	(36,049)	408,439	35,670
Total governmental liabilities	<u>\$ 457,055</u>	<u>\$ 54,741</u>	<u>\$ (36,049)</u>	<u>\$ 475,746</u>	<u>\$ 52,496</u>

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. Inter-governmental agreements and indemnifications

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

B. Risk management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. The District has not incurred claims in excess of insurance coverage in any of the last three fiscal years. No provision has been made in the financial statements for possible losses of this nature.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

A. Arizona State Retirement System

Plan Description: The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System according to the provision of ARS Title 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2014, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.3% for retirement, and .24% for long-term disability, for the members' annual covered payroll. The District's contributions to ASRS for the year ended June, 30 2014, was \$22,633, which was equal to the required contribution for the year.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, AZ 85012, (602) 240-2000.

B. Public Safety Personnel Retirement System

Plan Description: The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as the Fund Manager, and 162 local boards, according to the provisions of ARS Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road #200, Phoenix, AZ 85016, (602) 255-5575.

Funding Policy: For the year ended June 30, 2013, PSPRS members were required by statute to contribute 10.35% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 17.19%.

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS - continued

C. Public Safety Personnel Retirement System – continued

Annual Pension Cost: For the year ended June 30, 2013, the date of the most recent actuarial valuation, the District's annual pension cost of \$115,856 for PSPRS was equal to the District's required and actual contributions. The District's actuarial assumptions for the pension fire personnel for the year ended June 30, 2013, the most recent available actuarial valuation, and related information follow.

PSPRS actuarial information for the year ended June 30, 2013:

Contribution Rates:	
Plan members	10.35%
District	17.19%
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases*	4.5%-8.5%
*Payroll growth at	4.5%
Cost of living adjustments	None
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market

Funding progress (excluding health insurance subsidy): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Liability as a % of Covered Payroll
2013	\$ 1,236,960	\$ 1,749,341	512,381	70.7%	\$ 455,690	112.4%
2012	1,301,265	1,810,063	508,798	71.9%	493,000	103.2%
2011	1,088,552	1,601,073	512,521	68.0%	518,582	98.8%

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Montezuma Rimrock Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS – continued

C. Public Safety Personnel Retirement System – continued

Funding progress (post-retirement health insurance subsidy only): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Funding Liability (UAAL)	Funded Ratio	Annual Covered Payroll	Liability as a % of Covered Payroll
2013	\$ -	\$ 59,814	\$ 59,814	-	\$ 455,690	13.13%
2012	-	78,286	78,286	-	493,000	15.88%
2011	-	74,751	74,751	-	518,582	14.41%

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial costs methods as indicated for the plan.

Health insurance subsidy payment reported for FY 2013: \$2,580.

NOTE 9 – SUBSEQUENT EVENTS

The District evaluated its June 30, 2014 financial statements for subsequent events through October 15, 2014, the financial statement issuance date. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Montezuma Rimrock Fire District
 Budget and Actual - General Fund
 Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
			<u>Amounts</u>	<u>Positive/(Negative)</u>
<u>Revenues</u>				
Property taxes	\$ 1,046,498	\$ 1,046,498	\$ 1,008,482	\$ (38,016)
Fire district assistance taxes	209,300	209,300	153,294	(56,006)
Charges for services	306,350	306,350	275,442	(30,908)
Interest income	400	400	801	401
Other revenue	50,948	50,948	4,520	(46,428)
Total revenues	<u>1,613,496</u>	<u>1,613,496</u>	<u>1,442,539</u>	<u>(170,957)</u>
<u>Expenditures</u>				
Current:				
Personnel services	906,208	906,208	878,297	27,911
Employee benefits	398,530	398,530	310,260	88,270
Administrative and support services	222,500	222,500	331,787	(109,287)
Capital outlay	43,924	43,924	47,858	(3,934)
Total expenditures	<u>1,571,162</u>	<u>1,571,162</u>	<u>1,568,202</u>	<u>2,960</u>
Excess of revenues over expenditures	<u>42,334</u>	<u>42,334</u>	<u>(125,663)</u>	<u>(167,997)</u>
<u>Other financing sources (uses)</u>				
(Loss on sale of assets)			(7,367)	(7,367)
Proceeds from lease purchase			47,858	47,858
Transfers in	-	-	-	-
Transfers (out)	-	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>30,491</u>	<u>(30,491)</u>
Net change in fund balances	42,334	42,334	(95,172)	(137,506)
Fund balance - beginning	<u>411,818</u>	<u>411,818</u>	<u>411,818</u>	<u>-</u>
Fund balance - ending	<u>\$ 454,152</u>	<u>\$ 454,152</u>	<u>\$ 316,646</u>	<u>\$ (137,506)</u>

Note 1 - Budgetary Basis of Accounting

The District prepares its annual budget on a basis consistent with generally accepted accounting principles.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Governing Board of the Montezuma Rimrock Fire District
Rimrock, AZ

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, of Montezuma Rimrock Fire District of Rimrock, AZ, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Montezuma Rimrock Fire District of Rimrock, AZ's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montezuma Rimrock Fire District of Rimrock, AZ's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montezuma Rimrock Fire District of Rimrock, AZ's internal control. Accordingly, we do not express an opinion on the effectiveness of Montezuma Rimrock Fire District of Rimrock, AZ's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma Rimrock Fire District of Rimrock, AZ's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brian Richards, CPA

Snowflake, AZ
October 15, 2014

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